

# **PUBLIC DISCLOSURE**

**March 29, 2012**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Dean Co-operative Bank**

**27269**

**21 Main Street**

**Franklin, Massachusetts 02038**

**Division of Banks**

**1000 Washington Street**

**Boston, Massachusetts 02118**

**Federal Deposit Insurance Corporation**

**350 Fifth Avenue, Suite 1200**

**New York, New York 10118**

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.</p>
---

## TABLE OF CONTENTS

I.	General Information.....	1
II.	Institution Rating	
a.	Overall Rating.....	1
b.	Scope of Evaluation.....	2
c.	Description of Institution.....	3
d.	Description of the Assessment Area .....	4
e.	Conclusions with Respect to Performance Criteria .....	7
III.	Appendix	
a.	Fair Lending (Division of Banks) .....	A-1

## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) and the Federal Deposit Insurance Corporation (FDIC) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Dean Co-operative Bank (or the "Bank")** prepared by the Division and the FDIC, the institution's supervisory agencies.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."**

An institution in this group has an adequate record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Dean Co-operative Bank's performance pursuant to the CRA is considered "Satisfactory" based on the following criteria:

- **Loan-to-Deposit Ratio**  
The average net loan-to-deposit (LTD) ratio of 104.3 percent is more than reasonable given the institution's size, financial condition, business strategy, and assessment area credit needs.
- **Assessment Area Concentration**  
The Bank's residential lending and small business activity within the assessment area is adequate, as the majority of loans are inside the institution's assessment area. During the evaluation period, the Bank originated 60.4 percent by number and 58.6 percent by dollar volume of residential and small business loans within its assessment area.
- **Borrower Profile**  
Given assessment area demographics and aggregate lending performance, the distribution of borrowers reflects a reasonable penetration among individuals of varying income levels, including those of low- and moderate-income. The Bank demonstrated a reasonable penetration of loans to businesses of different sizes.
- **Geographic Distribution**  
The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- **Response to Complaints**  
The Bank has not received any CRA-related complaints since the previous CRA evaluation.

## SCOPE OF EVALUATION

This evaluation was conducted jointly by the Division and the FDIC. The evaluation utilized Small Bank CRA procedures, as established by the Federal Financial Institutions Examination Council (FFIEC). A “small bank” is an institution that, as of December 31 of either of the prior two calendar years, had assets of less than \$290 million. Small Bank CRA procedures include an analysis of five performance criteria: (1) loan-to-deposit ratio, (2) assessment area concentration, (3) borrower distribution, (4) geographic distribution, and (5) response to written complaints.

Through a review of the Bank’s loan portfolio composition and discussions with management, it was noted that the Bank’s primary lending focus was residential lending. However, the Bank also originates commercial loans. Therefore, the focus of this evaluation will center on the Bank’s residential mortgage and small business lending activities. Small farm loans were not analyzed during the evaluation, as the Bank did not originate any loans in this category. Consumer lending was also excluded from this analysis, as this loan type accounted for only a nominal percentage of the Bank’s overall lending activity.

Since the Bank’s loan portfolio consists predominantly of home mortgage loans at 72.6 percent, a greater emphasis was placed on the Bank’s home mortgage lending performance when arriving at the ratings. Home mortgage loans, as reported on the Bank’s 2010 and 2011 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LAR), were analyzed. The LARs contain data about home purchase and home improvement loans, including refinancings, of 1-4 family and multi-family (five or more units) properties. The institution reported 468 home loans totaling \$97.8 million in 2010 and 356 home loans totaling \$74.5 million in 2011. Aggregate market data for 2010 was also utilized for comparative purposes to measure the Bank’s level of performance with respect to the Geographic Distribution and Borrower Distribution criteria.

Small business loans for the purpose of this evaluation include commercial real estate loans and commercial and industrial loans in amounts of \$1 million or less. Although the Bank was not required to collect or report small business loan data during the evaluation period, data was available from internal bank records to conduct the analysis in 2011. The Bank’s records indicated that the institution originated 24 small business loans totaling \$790,600 in 2011. Since the Bank is not required to report its small business loan data, comparing the Bank’s small business lending activity to aggregate small business data was not appropriate. Instead, the Bank’s small business lending performance was compared to assessment area demographic information for 2011.

Although the total dollar amounts of loans are discussed, the evaluation is primarily based on the Bank’s lending performance by the number of loans originated or purchased during the review period.

Demographic information referenced in this evaluation was obtained from the 2000 U.S. Census unless otherwise noted. Financial data about the Bank was obtained from the December 31, 2011 Report of Condition and Income (Call Report).

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Dean Co-operative Bank is a state-chartered financial institution incorporated under the laws of the Commonwealth of Massachusetts in 1889 with the purpose of serving the savings and credit needs of working individuals and businesses located throughout Franklin and surrounding towns. The Bank's main office is located at 21 Main Street, Franklin. The Bank operates three additional full-service banking offices in Bellingham, Blackstone and Mendon. The Bank operates automated teller machines (ATM) at each office location. The Bank is a member of the SUM Program and the NYCE Deposit Sharing Program.

The Bank's branch office network has changed since the previous CRA evaluation conducted as of December 14, 2005. Specifically, the Bank opened a branch in Mendon (December 2005) and closed the branch at the Tri-County Regional Vocational Technical High School in Franklin (April 2009).

As of December 31, 2011, Dean Co-operative Bank has total assets of \$223.1 million, consisting primarily of loans and securities. Total assets have increased 14.9 percent since the most recent FDIC CRA evaluation, from \$194.2 million to the current level. The increase is primarily the result of the Bank's expansion into a new town along with a new branch.

The Bank is a full-service financial institution offering a wide variety of products and services. Savings and checking accounts offered by the Bank include statement savings, passbook savings, free checking and interest checking accounts. Home financing programs include adjustable- and fixed-rate options for the purchase, refinance, improvement and construction of residential property, and home equity loans. Automobile loans and collateral loans are also offered. Other services offered by the Bank include online banking and bill payment, 24 hour ATM banking, and telephone banking.

Loans total \$161.6 million as of December 31, 2011, and account for 72.4 percent of total assets. Refer to Table 1 for information regarding the composition of the loan portfolio.

<b>Table 1</b>		
<b>Loan Distribution as of December 31, 2011</b>		
<b>Loan Type</b>	<b>Dollar Amount \$(000's)</b>	<b>Percent of Total Loans</b>
Construction and Land Development	7,095	4.4
Secured by Farmland	50	0.0
1-4 Family Residential	115,102	71.2
Multi-Family (5 or more) Residential	2,190	1.4
Commercial	32,040	19.8
<b>Total Real Estate Loans</b>	<b>156,477</b>	<b>96.8</b>
Commercial and Industrial	3,897	2.4
Consumer	1,253	0.8
<b>Total Loans</b>	<b>161,627</b>	<b>100.0</b>

*Source: Report of Condition and Income (Call Reports) December 31, 2011*

As the data in Table 1 shows, the Bank is primarily a real estate lender with 96.8 percent of the loan portfolio secured by real estate. Residential real estate loans comprise the single greatest share of the loan portfolio at 71.2 percent. These loans are secured by one- to four-family residences and include closed-end mortgage loans, equity loans, and revolving home equity lines of credit. Loans secured by commercial real estate comprise the next largest share of the portfolio at 19.8 percent. These loans are typically collateralized by the properties used for the borrowers' business such as small office buildings and retail facilities. Construction and land development loans comprise the next largest share of the portfolio at 4.4 percent. The remainder of the loan portfolio is divided between commercial and industrial loans, loans secured by multi-family properties, and consumer loans.

The FDIC assigned the Bank a CRA rating of "Outstanding" at its last CRA evaluation on December 14, 2005. The Division assigned a rating of "Outstanding" at its last CRA evaluation of January 26, 2004. There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area.

### Description of Assessment Area

The CRA requires financial institutions to define an assessment area or areas within which its CRA performance will be evaluated. The Bank's assessment area as currently defined meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions, (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole geographies (census tracts), (4) does not extend substantially beyond state boundaries, (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

Refer to Table 2 for pertinent demographic information about the assessment area.

<b>Table 2</b> <b>Demographic Information for Assessment Area</b>					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	8			50.0	50.0
Population by Geography	58,964			50.1	49.9
Owner-Occupied Housing by Geography	16,773			49.4	50.6
Business by Geography	5,521			43.3	56.7
Family Distribution by Income Level	16,001	10.6	14.7	24.3	50.4
Distribution of Low and Moderate Income Families throughout AA Geographies	4,049			58.1	41.9
Median Family Income (MFI)		\$75,887	Median Housing Value		193,044
Boston-Quincy MD HUD Adjusted MFI 2011		\$87,600	Unemployment Rate *		3.4%
Worcester MSA HUD Adjusted MFI 2011		\$82,500	Unemployment Rate		6.9%
Families Below Poverty Level		2.0%	(January 2012)		

Source: \*2000 U.S. Census and 2011 HUD updated MFI

The Bank has defined its assessment area to include the towns of Bellingham, Blackstone, Franklin and Mendon. Bellingham and Franklin are both located in Norfolk County and are in the Boston-Quincy, MA Metropolitan Division (MD). Blackstone and Mendon are both located in Worcester County and are in the Worcester Metropolitan Statistical Area (MSA). Both the MD and the MSA are situated within the Boston-Worcester-Manchester, MA-RI-NH Combined Statistical Area (CSA).

As the data in Table 2 show, the Bank's assessment area consists of eight census tracts, including four middle- and four upper-income census tracts. There are no low- or moderate-income census tracts in the assessment area.

The assessment area has a total population of 58,964 residing in 16,001 family households. Of all family households in the area, 10.6 percent are low-income, 14.7 percent are moderate-income, 24.3 percent are middle-income, and 50.4 percent are upper-income. In addition, 2.0 percent of all families have incomes below the poverty level. This poverty rate typically indicates a reduced ability to secure a mortgage loan, thereby reducing a financial institution's ability to penetrate these markets through residential loan products.

The assessment area consists of 21,186 total housing units, of which 16,773 or 79.2 percent are owner-occupied, 3,986 or 18.8 percent are rental units and 427 or 2.0 percent are vacant units. The median housing value in 2000 for the assessment area was \$193,044, and the median age of the housing stock was 42 years. Recent figures from the Warren Group show that the assessment area's median home prices in 2011 ranged from a low of \$193,000 in Blackstone to \$337,000 in Mendon.

Data obtained from the 2011 Business Geo-demographic Data show that there are 5,521 businesses in the assessment area, of which 70.0 percent have gross annual revenues of \$1 million or less, 3.4 percent have gross annual revenues greater than \$1 million, and the remaining 26.6 percent have unknown revenues. Of total businesses in the assessment area, 43.3 percent are in middle-income census tracts, and 56.7 percent are in upper-income census tracts. The highest proportion of these business establishments are engaged in the services industry (39.8 percent). Businesses involved in retail trade (11.2 percent), construction (11.0 percent), and finance, insurance, and real estate (6.5 percent) make up a significant share of the establishments. In terms of employees, approximately 64.8 percent of the area's businesses employ four or fewer people. Included among the largest employers in the assessment area are Garelick Farms LLC, Dean College, Market Basket, Speedline Technologies, Inc., and Thermo Fisher Scientific, Inc.

The unemployment rate statewide for Massachusetts is 6.9 percent according to January 2012 statistics gathered from the Bureau of Labor Statistics. This represents a modest decrease compared to 2010 and 2011, when the unemployment rate in Massachusetts was 8.3 percent and 7.4 percent, respectively. As of January 2012, the unemployment statistics for the towns in the assessment area per the Massachusetts Department of Labor and Workforce Development were: Blackstone 10.8 percent, Bellingham 8.7 percent, Franklin 6.4 percent, and Mendon 6.1 percent.

The Bank faces strong competition from other financial institutions that originated loans within the assessment area. These institutions range in size from small credit unions and mortgage companies with single office locations to the largest banks in New England. Among the more prominent lenders competing with the Bank are Bank of America, Wells Fargo Bank, JPMorgan Chase Bank, and Ally Bank. The 2010 aggregate lending data shows that 254 lenders originated 5,714 residential

mortgage loans in the Bank's assessment area. Dean Co-operative Bank ranked second with a 6.0 percent market share.

Based on a review of demographic data and discussions with a local housing authority, the assessment area has no one primary credit need. The area's residents need a variety of retail loan products to meet personal needs and an array of home financing programs for the purchase, construction, improvement, or refinance of a residence. The area's business base also requires numerous commercial credit options to meet a wide variety of financing purposes.

### **Community Contact**

A community contact was conducted in conjunction with this CRA evaluation. The contact was conducted with a local housing authority. The contact noted that there is a lack of affordable rental housing units in the area, and that there are opportunities for local financial institutions to provide financing for the development of new units. Additionally, there is a need for more flexible lending programs for local homeowners. Overall, financial institutions could do more to adequately serve the community needs of the area.

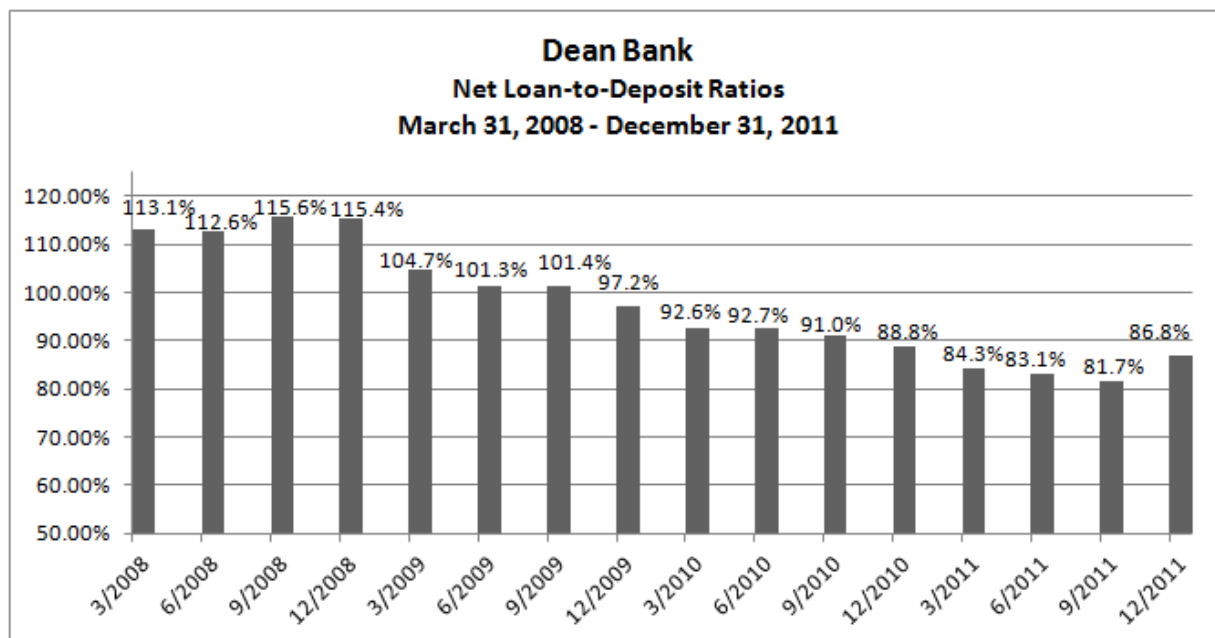


## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit (LTD) Analysis

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans. A comparative analysis of the Bank's quarterly net LTD ratios for the last 25 quarters since the prior FDIC CRA evaluation was conducted. The quarters reviewed include those ending December 31, 2005 through December 31, 2011. These ratios are based on total loans, net of unearned income and the allowance for loan and lease losses, as a percentage of total deposits.

The Bank's average quarterly net LTD ratio over the period reviewed was 104.3 percent and is considered more than reasonable. The net LTD ratio for this period has fluctuated over the last 25 quarters from a low of 81.7 percent (September 2011) to a high of 120.5 percent (September 2006). During this timeframe, net loans have decreased 6.8 percent and deposits have increased 21.6 percent. The graph below shows the LTD ratios for the past 16 quarters.



For comparison purposes, the Bank's average net LTD ratio was compared to the average net LTD ratios of five similarly situated institutions (i.e., banks of similar asset size and loan portfolio composition). Refer to Table 3 for details concerning this comparison.

<b>Table 3</b>		
<b>Loan-to-Deposit Ratios</b>		
<b>Institution</b>	<b>Averaged Net LTD Ratio</b>	<b>Assets as of December 31, 2011</b>
<i>Dean Co-operative Bank</i>	<i>104.3</i>	<i>223,093</i>
Pilgrim Bank	82.7	170,293
Haverhill Bank	81.9	260,730
Charles River Bank	79.3	187,047
The Braintree Co-operative Bank	72.9	237,122
Mayflower Co-operative Bank	62.0	247,979

Source: Report of Condition and Income (Call Reports) 12/31/2011

As shown in Table 3 above, the five other institutions' average net LTD ratios ranged between 62.0 percent and 82.7 percent. At 104.3 percent, the Bank's average net LTD is greater than all of the similarly situated institutions.

The Bank sells loans in the secondary market. Since 2008, the Bank has sold 846 loans totaling \$165.3 million. All of the loans were sold to the Federal National Mortgage Association (Fannie Mae). These sold loans are not reflected in the current LTD ratio, but further demonstrate the Bank's willingness to reinvest in the community through its lending services.

## COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA

This performance criterion evaluates whether the Bank is meeting the credit needs within its assessment area. The analysis includes both residential and small business lending.

During the evaluation period, a majority of the Bank's home lending activity occurred within the Bank's assessment area. However, the Bank originated less than half of its small business loans inside the assessment area. Table 4 illustrates the Bank's record of extending residential mortgage loans and small business loans inside and outside the assessment area by number and dollar amount over the period reviewed.

Table 4 Distribution of Loans Inside and Outside of Assessment Area										
Loan Type	Number Loans					Dollar Volume (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b>2010</b>										
Home Purchase	22	40.7	32	59.3	54	5,132	37.6	8,507	62.4	13,639
Refinance	197	62.0	121	38.1	318	38,926	58.6	27,486	41.4	66,142
Home Improvement	63	65.7	33	34.4	96	11,057	62.4	6,658	37.6	17,715
Total	282	60.3	186	39.7	468	55,115	56.4	42,651	43.6	97,766
<b>2011</b>										
Home Purchase	25	42.4	34	57.6	59	5,616	42.6	7,567	57.4	13,183
Refinance	146	64.0	82	36.0	228	31,998	64.7	17,450	35.3	49,448
Home Improvement	51	73.9	18	26.1	69	8,979	69.9	3,871	30.1	12,850
Total	222	62.4	134	37.6	356	46,593	61.7	28,888	38.3	75,481
<b>Total Home Loan</b>	<b>504</b>	<b>61.2</b>	<b>320</b>	<b>38.8</b>	<b>824</b>	<b>101,708</b>	<b>58.7</b>	<b>71,539</b>	<b>41.3</b>	<b>173,247</b>
Small Business 2011	8	33.3	16	66.7	24	265	33.5	526	66.5	791
<b>Grand Total</b>	<b>512</b>	<b>60.4</b>	<b>336</b>	<b>39.6</b>	<b>848</b>	<b>101,973</b>	<b>58.6</b>	<b>72,065</b>	<b>41.4</b>	<b>174,038</b>
SOURCE: HMDA LAR for 2010 and 2011. Internal small business loan records for 2011.										

### Home Loans

As shown in Table 4, the Bank originated 504 home loans totaling \$101.7 million inside the assessment area during the evaluation period. This represents 61.2 percent of the total number of home loans originated by the Bank and 58.7 percent by dollar volume. The distribution of loans by number bears more weight on the Bank's rating than the distribution by dollar amount, as the

number of loans correlates more closely to the number of individuals or families that were able to obtain home mortgage loans.

### Small Business Lending

Table 4 shows that the Bank originated eight small business loans totaling \$264,997 in the assessment area during the review period. This represents 33.3 percent of the total number of small business loans originated by the Bank and 33.5 percent by dollar volume. According to Bank management, the low percentage of lending in the assessment area is due to low demand from local businesses still recovering from the effects of the economic recession. The Bank's small business lending is less than would be expected since a majority of its small business loans by number and dollar amount were originated outside of the assessment area.

Overall, the Bank's performance under this criterion is adequate given that a majority of the Bank's combined total residential and small business loans by both number and dollar amount were originated inside the assessment area.

## **DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS AND BUSINESSES OF DIFFERENT SIZES**

This performance criterion evaluates the distribution of the Bank's residential and small business loans based on borrower characteristics. An analysis was conducted of the Bank's residential mortgage loans inside the assessment area based on borrower income. For residential lending, emphasis is placed on loans to low- and moderate-income borrowers. An analysis was also conducted of the Bank's small business loans inside the assessment area based on the revenue size of business. For the small business lending, the emphasis was placed on loans to businesses with gross annual revenues (GAR) of \$1 million or less.

Based on the review of the Bank's lending data, the Bank has achieved an adequate penetration of loans among individuals of different income levels and businesses of different revenue sizes.

### Home Loans

Residential lending data was reviewed to assess how well the Bank is addressing the housing credit needs of the area's low-, moderate-, middle-, and upper-income residents. See Table 5 for information concerning the distribution of HMDA-reportable home loans by borrower income within the Bank's assessment area.

Table 5 Distribution of HMDA Loans by Borrower Income (excludes loans with unknown incomes)									
Loan Category	# of Bank Loans	Percent of Bank Loans				Percent of Aggregate Lending			
		Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Home Purchase	21	4.7	19.1	4.8	71.4	5.1	25.1	31.4	38.3
Refinance	196	3.1	16.8	28.1	52.0	3.3	14.4	25.4	56.9
Home Improvement	62	3.2	14.5	33.9	48.4	5.8	20.7	18.2	55.4
<b>Total</b>	<b>279</b>	<b>3.2</b>	<b>16.5</b>	<b>27.6</b>	<b>52.7</b>	<b>3.8</b>	<b>16.8</b>	<b>26.3</b>	<b>53.1</b>
Families	16,001	10.6	14.7	24.3	50.4				

Source: 2010 HMDA LAR, HMDA Aggregate Data for 2010. Demographic 2000 U.S. Census Data

As reflected in Table 5 for 2010, Dean Co-operative Bank's distribution of loans to low-income borrowers at 3.2 percent was slightly below the aggregate of 3.8 percent and lower than the percentage of families of 10.6 percent. In 2011, the Bank's distribution to low-income borrowers also remained constant at 3.3 percent. Although the Bank's percentage of loans to low-income borrowers was less than the 10.6 percent of families that were low-income, a significant portion of these families would likely not qualify for a home mortgage loan. In fact 2.0 percent of the area's total families were below the poverty level according to the 2000 U.S. Census.

In 2010, the Bank extended 16.5 percent of total loans to moderate-income borrowers, which was consistent with the aggregate of 16.8 percent, but higher than the percentage of moderate-income families at 14.7 percent. The percentage of refinance loans originated by the Bank to moderate-income borrowers at 16.8 percent exceeded the aggregate of 14.4 percent. For home improvement loans, the Bank originated 14.5 percent of its loans to moderate-income borrowers, which was significantly lower than the aggregate at 20.7 percent. In 2011, the Bank's distribution to moderate-income borrowers increased slightly to 17.7 percent.

### Small Business Lending

The Bank's small business lending was reviewed to assess how well the Bank is addressing the area's business credit needs. The distribution of borrowers for small business loans reflects a reasonable penetration among businesses of different sizes. Table 6 illustrates the distribution of the Bank's 2011 small business loans within the assessment area by the revenue size of the business. For comparison purposes, the table includes the percentage of businesses in the assessment area with gross annual revenues (GAR) under \$1 million.

Table 6 Distribution of Small Business Loans by Revenue		
# of Bank Loans	Businesses with Revenues of \$1 million or less	
	Percent of Businesses	Percent of Bank Loans
8	70.0	62.5

SOURCE: Internal small business loan records for 2011.

As shown in Table 6, the Bank made 62.5 percent of all small business loans to businesses with GAR of \$1 million or less in 2011, which is lower than the percentage of businesses in that size category (70.0 percent). Nonetheless, the Bank's performance is considered reasonable and demonstrates a commitment to meeting the credit needs of small businesses.

The loans to businesses with GARs of \$1 million or less within the Bank's assessment area were further analyzed to determine the typical loan amount at origination. This analysis is based on the supposition that loans of smaller amounts are most likely made to very small businesses. Thus, it is viewed favorably when banks have a high percentage of loans made in amounts of less than \$100,000. Table 7 illustrates the Bank's small business loans by loan amount.

<b>Table 7 – 2011 Bank Distribution of Small Business Loans by Loan Size</b>		
<b>Loan Amount (000s)</b>	<b>#</b>	<b>%</b>
<b>&lt; \$100</b>	7	87.5
<b>≥\$100 &lt; \$250</b>	1	12.5
<b>≥\$250 ≤ \$1,000</b>	0	0.0
<b>Total</b>	<b>8</b>	<b>100.0</b>

*SOURCE: Internal small business loan records for 2011.*

As Table 7 indicates, 87.5 percent of the Bank's loans to small businesses in the assessment area in 2011 were for amounts less than \$100,000. This percentage demonstrates the Bank was committed to meeting the credit needs of small businesses in the assessment area. The Bank's record of extending small loans to businesses reflects reasonable performance in meeting the credit needs of small businesses in the Bank's assessment area.

## **GEOGRAPHIC DISTRIBUTION**

This criterion evaluates the distribution of the Bank's loans within the assessment area by census tract income level, with emphasis on lending in low- and moderate-income census tracts. As mentioned previously under the *Description of Assessment Area* section, the Bank's assessment area comprises eight census tracts; none are low- or moderate-income census tracts. Based on a review of the Bank's HMDA LARs and small business lending data, the overall geographic distribution of loans reflects a reasonable penetration throughout the assessment area.

### Home Loans

Since the Bank's assessment area has no low- or moderate-income census tracts, this performance criterion is not weighted as heavily in the evaluation and the Bank's rating.

<b>Table 8 Distribution of HMDA Loans by Census Tract Income Category</b>								
<b>Loan Category</b>	<b># of Bank Loans</b>	<b>Percent of Bank Loans</b>			<b>Percent of Aggregate Lending</b>			
				<b>Middle</b>	<b>Upper</b>		<b>Middle</b>	<b>Upper</b>
Home Purchase	22			54.5	45.5		51.3	48.7
Refinance	197			42.1	57.9		36.8	63.2
Home Improvement	63			39.7	60.3		36.0	64.0
<b>Total</b>	<b>282</b>			<b>42.6</b>	<b>57.4</b>		<b>39.7</b>	<b>60.3</b>
Owner-Occupied Housing Units	16,773			49.4	50.6			

*Source: 2010 HMDA LAR, HMDA Aggregate Data for 2010. Demographic 2000 U.S. Census Data*

Table 8 shows that in 2010, 42.6 percent of the Bank's home mortgage loans were originated in middle-income census tracts. The Bank's performance was higher than the aggregate lending data (39.7 percent) within the assessment area. The middle-income census tracts accounted for the highest proportion of loans for all three loan categories (home purchase, refinance, and home improvement). The upper-income census tracts accounted for all of the remaining loan volume. In total, approximately 57.4 percent of the Bank's home mortgage lending was in the upper-income areas.

### Small Business Lending

The geographic distribution of small business loans reflects a reasonable dispersion throughout the assessment area. Table 9 summarizes the Bank's distribution of small business loans by census tract income level. Demographic information is included for comparison purposes.

<b>Table 9</b>								
<b>Distribution of Small Business Loans by Census Tract Income Category</b>								
<b>Loan Category</b>	<b># of Bank Loans</b>	<b>Percent of Bank Loans</b>				<b>Percent of Businesses</b>		
				<b>Middle</b>	<b>Upper</b>		<b>Middle</b>	<b>Upper</b>
Small Business	8			12.5	87.5		43.3	56.7

*SOURCE: Internal small business loan records for 2011.*

As shown in Table 9, the Bank originated 12.5 percent of all small business loans in the middle-income census tracts in 2011. This performance is significantly lower than the percentage of businesses in those tracts of 43.3 percent. However, the relatively low volume of small business loans makes a meaningful conclusion regarding this distribution difficult.

## **RESPONSE TO CRA COMPLAINTS**

The Bank has not received any CRA-related complaints during the evaluation period. As a result, this performance criterion is not applicable.

## **APPENDIX A**

### ***Fair Lending Policies and Procedures***

Dean Co-operative Bank's fair lending performance was reviewed to determine how it relates to the guidelines established by Regulatory Bulletin 2.3 101, the Division's Community Reinvestment and Fair Lending Policy. A review of the public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination.

The Bank has a written Fair Lending Policy. The Bank supports the fair lending process through fair, but flexible lending policies.

All employees are provided with training appropriate to their job description and responsibilities in fair lending issues.

The Bank makes exceptions to the loan policy. The Bank employs a second review process.

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified.

#### **MINORITY APPLICATION FLOW**

Dean Co-operative Bank's LARs for 2010 and 2011 were reviewed to determine if the application flow from the different racial and ethnic groups within the assessment area was reflective of the area's demographics.

According to the 2000 U.S. Census Data, the Bank's assessment area contained a total population of 58,964 individuals of which 4.1 percent are minorities. The assessment area's minority and ethnic population is 1.2 percent Asian/Pacific Islander, 0.8 percent Black/African American, 0.1 percent American Indian, 1.1 percent Hispanic or Latino and 0.9 percent other.

For 2010 and 2011, the Bank received 649 HMDA reportable loan applications from within its assessment area. Of these applications, 10 or 1.5 percent were received from minority applicants, of which 6 or 60.0 percent resulted in originations. For the same time period, the Bank also received 5 applications from ethnic groups of Hispanic origin within its assessment area of which 3 or 60.0 percent were originated.

The Bank's level of lending was compared with that of the aggregate's lending performance levels for the most recent year that data was available, the year 2010. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to Table 10 below for information on the Bank's minority application flow as well as the aggregate lenders (excluding the Bank) in the Bank's assessment area.

Refer to the following table for further details.

<b>Table 10</b> <b>MINORITY APPLICATION FLOW</b>								
RACE	Bank 2010		2010 Aggregate Data		Bank 2011		Bank TOTAL	
	#	%	#	%	#	%	#	%
American Indian/ Alaska Native	1	0.3	9	0.2	0	0.0	1	0.1
Asian	1	0.3	247	4.6	2	0.7	3	0.5
Black/ African American	1	0.3	25	0.5	0	0.0	1	0.1
Hawaiian/Pac Isl.	0	0.0	1	0.0	0	0.0	0	0.0
2 or more Minority	0	0.0	0	0.0	0	0.0	0	0.0
Joint Race (White/Minority)	5	1.4	45	0.8	0	0.0	5	0.8
<b>Total Minority</b>	<b>8</b>	<b>2.3</b>	<b>327</b>	<b>6.1</b>	<b>2</b>	<b>0.7</b>	<b>10</b>	<b>1.5</b>
White	306	85.4	4,008	74.6	250	85.9	556	85.7
Race Not Available	44	12.3	1,036	19.3	39	13.4	83	12.8
<b>Total</b>	<b>358</b>	<b>100.0</b>	<b>5,371</b>	<b>100.0</b>	<b>291</b>	<b>100.0</b>	<b>649</b>	<b>100.0</b>
<b>ETHNICITY</b>								
Hispanic or Latino	<b>1</b>	<b>0.3</b>	<b>33</b>	<b>0.6</b>	<b>1</b>	<b>0.3</b>	<b>2</b>	<b>0.3</b>
Not Hispanic or Latino	305	85.2	4,246	79.1	243	83.5	548	84.4
Joint (Hisp/Lat /Not Hisp/Lat)	<b>3</b>	<b>0.8</b>	<b>37</b>	<b>0.7</b>	<b>0</b>	<b>0.0</b>	<b>3</b>	<b>0.5</b>
Ethnicity Not Available	49	13.7	1,055	19.6	47	16.2	96	14.8
<b>Total</b>	<b>358</b>	<b>100.0</b>	<b>5,371</b>	<b>100.0</b>	<b>291</b>	<b>100.0</b>	<b>649</b>	<b>100.0</b>

Source: 2010 and 2011 HMDA/LAR, 2010 HMDA Aggregate Data

The Bank's performance was below the 2010 aggregate's performance level for minority applicants. The Bank received 2.3 percent for minorities, while the aggregate was 6.1 percent. The Bank's performance was consistent with the 2010 aggregates' performance for ethnic minorities. The Bank received 1.1 percent from ethnic minorities, while the aggregate received 1.3 percent.



## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 21 Main Street, Franklin, MA 02038."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. The institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.